Issue 213

NERA
ECONOMIC CONSULTING

Reporting on energy regulation issues around the world

February 2017

Global Energy Regulation

Contents

EUROPEAN NEWS

European Union

EU Agrees To Invest In Key Energy Infrastructure Projects

On 17 February 2017, EU Member States agreed to the European Commission’s proposal to invest €444 million (US$476 million) in 18 priority European energy infrastructure projects. Of the 18 chosen projects, seven are in the electricity sector, 10 in the gas sector, while one project refers to the development of smart grids. These investments will be funded through the Connecting Europe Facility (CEF) program, which has an allocated budget of €5,350 million (US$5,731 million) for funding trans-European energy infrastructure projects in the period 2014-2020.

European Commission, 17/02/17

EC Gives Green Light To French Renewable Energy Initiatives

The European Commission approved, under EU State Aid rules, three French schemes that will provide economic support for the next 20 years to around 2,600 MW of new solar capacity and 60 MW of new hydro capacity. The two solar schemes will guarantee a preferential price to operators of small-scale and large solar installations, with a provisional budget of €439 million (US$465 million) per year. The hydro scheme has a provisional budget of €25 million (US$26.5 million) per year.

European Commission, 10/02/17

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ENSREG Approves Documents On Ageing Management Of Nuclear Plants

The European Nuclear Safety Regulators Group (ENSREG) approved three documents aimed at guiding the Topical Peer Review on ageing management of nuclear plants in the European Union. The approved documents are: (1) the Terms of Reference; (2) the Technical Specification; and, (3) the Stakeholder Engagement Plan. According to ENSREG's president, the documents should be considered as the basis for launching the peer review, the first stage of which will produce a national assessment report for each country participating in the review.

European Commission, 03/02/17

Belgium

Belgian Energy Minister To Negotiate Lower Subsidies For Offshore Wind Farms

In Belgium, the debate over the appropriate level of subsidies for offshore wind farms intensified following the leak of confidential information from a study prepared by the national energy regulator, CREG. The debate occurs as the Belgian energy minister, Marie-Christine Marghem, prepares for price negotiations over three new offshore wind farms. The CREG's assessment of appropriate subsidies for wind farm operators was prepared with the knowledge that Dutch authorities successfully allocated offshore projects for a guaranteed feed-in tariff of €72.20/MWh (US$77/MWh), while Belgian wind farms Norther and Rentel received more than €120/MWh (US$128/MWh). CREG reportedly believes that different geological conditions may explain a slightly higher cost for the Belgian wind farms, but it cannot explain the substantial difference between the Dutch and Belgian subsidies, raising a question as to whether Belgian electricity consumers are paying excessive prices for the expansion of renewable energy.

Lavenir.be, 08/02/17; lalibre.be, 08/02/17

France

Sluggish Progress In Renewal Of Hydroelectricity Concessions

An increasing number of concessions for hydroelectricity generation facilities are reaching the end of their term, but progress on the renewal of concessions remains sluggish, and local authorities have complained about lost revenues. Normally, concessions would be renewed either through public tenders, or, starting in 2015 under the new energy transition law, extended in exchange for new investments. The renewal would entitle local authorities and the national government to earn concession fees. In response to criticism over the slow pace of renewal, the government has referred to a formal notice sent by the European Commission, which criticised the dominant position of EDF, the national electricity conglomerate, in the operation of hydro concessions. The sluggish rate of renewing concessions appears to be dissuading potential bidders.

Lesechos.fr, 01/03/17; lamontagne.fr, 16/11/16

Germany

BNetzA Publishes Regulation On Onshore Wind Installations

On 20 February 2017, the German networks regulator, the Bundesnetzagentur (BNetzA), published a regulation introducing geographical restrictions on the siting of new onshore windfarms. Due to grid bottlenecks between Northern and Southern Germany, the new renewable energy law (EEG 2017) limits the expansion of wind energy in Northern Germany. The regulation now defines the exact borders of the affected area, which covers roughly one-sixth of Germany, predominantly in the five states (Länder) of Niedersachsen, Bremen, Schleswig-Holstein, Hamburg, and Mecklenburg-Vorpommern. Construction of onshore wind capacity in this area is to be subject to an annual limit of 58% of the average annual expansion between 2013 and 2015. This limit corresponds to a total of 902 MW per year, compared with a planned target of 2,800 MW per year for the whole of Germany until 2020 and 2,900 MW per year thereafter. The BNetzA will re-evaluate the geographic dimensions of the limit area every two years, in accordance with the EEG 2017, starting on 31 July 2019.

Bundesnetzagentur, 20/02/17

Results Of First Tender For Subsidies To PV Power Plants Published

On 10 February 2017, the BNetzA published the results of the first auction for subsidies to freestanding photovoltaic (solar) power plants under the new renewable energy law (EEG 2017). In this tender, the BNetzA received 97 bids with a total capacity of 488 MW and awarded subsidies for 200 MW to 38 successful bidders. The highest successful bid of the pay-as-bid auction was €67.50/MWh (US$72/MWh), while the lowest successful bid was €60.00/MWh (US$64/MWh). The weighted average subsidy for this round was €65.80/MWh (US$70/MWh), a decrease of €3.20/MWh (US$3.40/MWh) from the last pilot auction in December 2016. The BNetzA attributed the fall in the price to continued competitive pressure in the market. The next auction will take place on 1 June 2017 and will again allow bidders to compete for subsidies to a total of 200 MW of new capacity.

Bundesnetzagentur, 10/02/17

Italy

Italian Natural Gas Balancing To Be Managed Via MGAS Exchange From 1 April 2017

As part of the new natural gas balancing regime for Italy, the Italian energy regulator, Aeegsi, announced that all natural gas balancing products will be available through the MGAS exchange starting on 1 April 2017. The products on offer will include markets for stored gas (MGS) and locational products (MPL) that were previously managed via the PB-GAS platform, which will cease to operate on 31 March 2017. This measure moves the Italian natural gas market towards compliance with the 2015 EU balancing network code, following a yearlong delay and lengthy debate.

Aeegsi, 20/02/17

Netherlands

ACM Designates EPEX As NEMO And Revokes APX's Appointment

The Consumer & Market Authority (the ACM) appointed EPEX Spot SE (EPEX) as the "nominated electricity market operator" (NEMO) for the Netherlands. NEMOs are responsible for connecting supply and demand for electricity throughout Europe, in both day-ahead and intra-day trading. The ACM also revoked the appointment of APX Power B.V. as the NEMO, as the tasks of the NEMO were transferred to EPEX after the two exchanges merged.

ACM, 15/02/17

X-Factor Decision For GTS (2017-2021)

The ACM published its revised decision on the X-factor applying to the national gas transmission company, Gasunie Transport Services (GTS), from 1 January 2017 to 31 December 2021. The ACM set separate X-factors for the regulatory tasks (i.e., businesses) of transport, balancing, quality conversion, existing connections, and new connections. The ACM also published its calculations of GTS's X-factors and Regulatory Asset Base, as well as the methods it used to calculate GTS's X-factors and weighted average cost of capital. This revised decision follows a court decision requiring the ACM to include a wider margin for error in its benchmarking results for GTS (see January 2017 edition of *GERN*).

ACM, 24/02/17

Spain

Government Updates Remuneration Scheme For Renewables

The Spanish Ministry of Energy approved an order that updates the regulated revenue for renewable, cogeneration, and waste management plants over 2017-2019. This update increased regulated revenues by about €600 million (US$ 635 million) per year for these plants. The increase is due to the electricity market price forecast for 2017-2019 being lower than the price used in the previous order setting revenues for 2013-2016. The associations of renewable and cogeneration plant owners announced that they would challenge the new regulation, arguing that the order's price forecast for 2019 and beyond is unjustifiably high, thereby reducing their current remuneration.

Cinco Días, 23/02/17; Ministry of Energy, Tourism and the Digital Agenda, 22/02/17

Nuclear Energy Regulator Approves The Reopening Of Garoña Nuclear Plant With Conditions

The Spanish Nuclear Security Council (CSN) approved a technical report that supports the renewal of the operating licence of the Garoña nuclear plant. This nuclear plant ceased operations in 2012 after its 40-year operating licence expired. Any new licence would be conditional upon the plant meeting a number of safety criteria. The Spanish government now has six months to decide whether to approve the reopening and whether to extend the plant's operating life from 40 to 60 years. Meanwhile, the Energy Committee of the Spanish Congress (the lower house of Parliament) passed a resolution asking the government to implement all measures required to close down the Garoña nuclear plant permanently.

ABC, 22/02/17; Reuters, 06/01/17

Switzerland

WACC For Electricity Network Operators To Remain Constant In 2018

The Swiss government department in charge of the environment, traffic, energy, and communication (UVEK) decided that the weighted average cost of capital (WACC) that regulated electricity network operators will be allowed to earn on their assets in 2018 will remain unchanged from the current level of 3.83%. In 2015, the methodology used to determine the WACC was changed, with the aim of accommodating abnormal capital market conditions characterised by record-low interest rates. This revised methodology was applied for the first time in setting the WACC for 2017, and UVEK used the same methodology to set the WACC for 2018.

The WACC of 3.83% is based on an imputed return on equity of 6.96% and a return on debt of 1.75%, using 40% gearing. The WACC allowed for Swiss electricity network operators is updated annually by UVEK following a public consultation conducted by the national electricity commission, ElCom.

Bfe.admin.ch, 21/02/17

UK

Ofgem Reduces National Grid's Spending Allowance

The British energy regulator, Ofgem, reduced allowed expenditures by £185 million (US$225 million) in National Grid's price control. This follows Ofgem's mid-period review of the 2013-2021 energy transmission price control carried out in May 2016. The reduction in National Grid's allowed expenditures reflects a cut of £168.8 million (US$205 million) under the high pressure gas pipeline price control, as the planned Avonmouth pipeline is no longer required. The reduction also reflects, under the electricity grid price control, a cut of £38.1 million (US$46 million), due to a fall in required expenditures on fault protection works, and an increase of £21.5 million (US$26 million) to pay National Grid for performing an enhanced role as system operator.

Ofgem, 24/02/17; Energy Live News, 24/02/17

UK-France ElecLink Interconnector Gets Go-Ahead

The UK government gave the go-ahead to a 1 GW power link, ElecLink, connecting Britain and France. The £490 million (US$600 million) interconnector is funded by Eurotunnel and will run through the Channel Tunnel between Sellindge in the UK and Les Mandarins in France. The project is expected to reduce consumer bills, as electricity can be flexibly imported and exported to take advantage of lower prices.

BEIS, 23/02/17; Energy Live News, 24/02/17

NORTH AMERICAN NEWS

US

Maine Legislators To Limit Retail Rates By Competitive Suppliers For Residential Customers

Maine lawmakers recently introduced a bill (HP 192) that would prohibit competitive electricity providers from charging residential consumers a rate for generation service that is higher than the standard-offer service rate available to them. Standard-offer service is electricity supply service sold by utility companies to a customer in their service area when they do not choose an alternative electricity supplier.

The legislation was proposed after a study published in November 2016 found that Maine residents served by competitive suppliers overpaid by US$50 million in the past four years, as compared to what they would have paid by taking standard-offer service. Maine lawmakers want to ensure that all ratepayers are protected from being overcharged by retail suppliers. The bill has been referred to the House Committee on Energy, Utilities and Technology.

Maine State Legislature, Utility Dive, 24/02/17

Tennessee Gas Pipeline Co.'s Orion Expansion Receives Water Permit From Army Corps Of Engineers

On 15 February 2017, Kinder Morgan Inc. informed the Federal Energy Regulatory Commission (FERC) that its subsidiary, Tennessee Gas Pipeline Co., had received a Clean Water Act Section 404 permit for the Orion natural gas pipeline expansion project. Section 404 of the Clean Water Act controls the discharge of dredged or fill materials into US waters. The permit, certified by the US Army Corps of Engineers, gives Tennessee Gas until 31 December 2019 to finish the project. FERC had previously issued a certificate order for the Orion expansion on 2 February 2017. The project is expected to cost around US$144 million and will enable Tennessee Gas to increase firm transportation service on its 300 Line in Pennsylvania by adding approximately 13 miles (21 km) of pipeline with a diameter of 36 inches (90 cm).

SNL, 17/02/17; Bloomberg, 20/02/17

Texas Utility Proposes A New Rate Class For Retail Solar Customers

On 13 February 2017, El Paso Electric (EPE) filed a rate case application with the Public Utility Commission of Texas, seeking to increase rates to recover system upgrades and new generation costs, and to establish a new rate classification for residential solar customers. With respect to rate design, EPE proposed a new rate structure that would include a fixed monthly customer charge, a monthly demand charge to recover the cost of grid-related services, and time-of-use energy charges. Under the proposed rates, a residential customer with private rooftop solar panels would see an average bill increase of US$14.09 per month. (This bill change would not reflect credits provided to solar customers under Net Energy Metering.) EPE is also proposing a new rate structure for small commercial customers with private solar facilities that would be identical to the rate structure proposed for residential customers. A final decision is expected in July 2017. If approved, the new rates will go into effect in late 2017 or early 2018.

El Paso Electric, 13/02/17; SNL, 13/02/17

Arizona Regulators Approve New Solar Fees

On 8 February 2017, the Arizona Corporate Commission (ACC) approved a rate filing by Tucson Electric Power (TEP) that proposed several new pricing plans and new solar charges for residential and small commercial customers. Under the new rates, a typical residential customer will see an increase of about US$8.50 in average monthly bills, compared to rates paid in November 2015. The increase will cover the cost of new energy resources, upgraded distribution networks, and other upgrades needed to secure and expand TEP's energy grid.

Under the new rates, residential and small commercial customers with new private solar arrays will pay a new monthly fee to cover the costs of the second electric meter used to measure solar output. That fee will be US$2.05 for residential customers and US$0.35 for small commercial customers. Customers with existing systems are exempt from this new fee.

TEP is the first Arizona utility to complete a rate case since Arizona regulators voted to eliminate retail rate net metering last year. However, the price used to compensate customers for the excess solar energy they produce and sell back to the grid has not been decided and is not included in TEP's new rate plan.

Utility Dive, 10/02/17; Arizona Corporate Commission, 24/02/17

Gas Pipelines Approved Just As FERC Commissioner Steps Down

Three of the four pending Appalachian natural gas pipelines awaiting approval at the FERC were approved during the last days in the tenure of (former) FERC Chairman Norman Bay. FERC issued orders approving Energy Transfer Partners' Rover project, Williams Cos.' Atlantic Sunrise, and National Fuel Gas Co.'s Northern Access 2016 project. FERC did not issue a decision on DTE Energy Co. or on Spectra Energy Corp.'s NEXUS project. Bay's departure leaves the Commission without a quorum and with just two members, Acting Chairman Cheryl LeFleur and Commissioner Colette Honorable.

Law360, 03/02/17; SNL, 06/02/17

New York ISO Release Roadmap For Distributed Energy Resources Integration In Wholesale Markets

On 2 February 2017, New York ISO (NYISO) released a five-year roadmap for integrating distributed energy resources (DERs) into the NYISO's wholesale markets by 2021. The roadmap outlines timelines and high-level concepts to facilitate the emergence of dispatchable DER through a series of economics-based products. NYISO believes effective integration of DER resources can help improve system efficiency and resiliency, energy security, and fuel diversity, while also allowing consumers to take greater control of their electricity usage and costs through new technologies, which will benefit the system as a whole.

The key objectives of the roadmap are to: (1) integrate DER into NYISO's Energy, Ancillary Services, and Capacity markets; (2) align NYISO's goals with the goals of New York State's REV (Reforming the Energy Vision) initiative; (3) enhance measurement and verification methodologies to make sure supply is balanced with demand under high DER penetration; and (4) align compensation with DER service performance.

The roadmap is a starting point for more in-depth discussions with stakeholders to develop market rules, operating requirements, and software to realise fully integrated grid operations. NYISO is expecting to spend three to five more years on developing market design elements and tariff language. According to NYISO, a series of pilot projects will be adopted to help NYISO and stakeholders to integrate DER more effectively.

NYISO, 31/01/17; SNL, 02/02/17

Mexico

Energy Regulator Approves Distributed Generation Regulation

The Mexican commission for energy regulation (CRE) approved a new regulation, which allows distributed generation to have “open and not unduly-discriminatory access” to the distribution grid, as well as to markets where excess electricity can be sold. Under the previous regulation, distributed generation was allowed only for self-consumption. The new rules include net metering, net billing, and total sale schemes. According to the CRE, the new regulatory framework is aimed at the sustainable development of the electricity industry and a greater share of clean energy.

CRE, 20/02/17

National Natural Gas Pipeline System Announces Winners Of Import Pipeline Capacity Auction

On 17 February 2017, the National Center for Gas Control, CENAGAS, the independent system operator of the country’s natural gas pipeline network, held the first auction of natural gas pipeline import capacity. Capacity amounting to 753,722 MMBtu per day was offered in the auction over four routes within the NET Mexico Pipeline system, which supplies natural gas from Agua Dulce (Texas) to Mexico’s National Pipeline System and its Los Ramones pipeline.

The auction resulted in 29.2% of the total capacity offered being awarded to the three companies that participated: B.P. Energía México, Industria del Álcali (Grupo Vitro), and Fábrica de Envases de Vidrio del Potosí.

CENAGAS, 18/02/17

CENTRAL & SOUTH AMERICAN NEWS

Argentina

Government Approves New Electricity Tariff Increase

The Argentinian minister of energy announced new electricity tariff increases ranging from 61% to 148% for consumers in the Buenos Aires region. According to the government, average consumers will face a 77% tariff increase, users with medium-to-high consumption will face a 90% increase in their bills, and high-consumption users will see their tariffs increase by 148%. Small retailers will face increases between 60% and 80%. These tariff increases are due to the progressive reduction of the subsidies currently applied by the government.

El Periódico, 01/02/2017; Clarín, 31/01/17

Brazil

ANEEL Approves A Methodology Setting The Remuneration Of Non-Depreciated Transmission Assets

The Brazilian energy regulator (ANEEL) approved a methodology for setting the remuneration of non-depreciated transmission assets. Electricity transmission concession holders that renewed their concessions ahead of time in 2012 will be paid R$62,200 million (US$20,000 million) over the next eight years. These additional costs will be borne by consumers, who will face an increase of about 7.17% in the transmission cost element of their electricity bills.

Agência Brasil, 22/02/17; ANEEL, 21/02/17

Chile

President Enacts Gas Transmission Law

The President of Chile enacted a new gas distribution law that updates and modernises the regulatory framework. Under the new law, distribution tariffs set by each distribution company may not lead to annual rates of return in excess of the legal limit of 9%. The new law also seeks to reduce differences between the regulation of gas distribution companies with and without concessions, and to facilitate the supplier switching process. An independent body will be created to deal with any conflicts arising from tariffs and rates of return.

Ministry of Energy, 09/02/17

ASIA PACIFIC NEWS

New Zealand

Commerce Commission Proposes Revenue And Quality Standards For Gas Pipeline Services

The Commerce Commission released a draft decision on revenues and minimum quality standards for gas pipeline businesses, which would apply to four gas distributors and one gas transmission business for the five-year regulatory period beginning October 2017. The decision would reduce maximum revenues by an estimated 18% compared with the current limits, approximately half of which stems from a reduction in the cost of capital due to changes in market conditions and recent decisions by the commission. The decision also proposes limiting price increases to no more than the rate of inflation during the regulatory period. Submissions on the draft decision are due in March 2017, with the commission due to make a final decision at end of May 2017.

Commerce Commission, 10/02/17

MIDDLE EASTERN NEWS

Saudi Arabia

Saudi Arabia Launches National Renewable Energy Programme

Saudi Arabia invited investors on 20 February 2017 to pre-qualify for the projects included in the first round of its National Renewable Energy Programme. The programme aims to commission 3.45 GW of renewable generation capacity by 2020 and 9.5 GW by 2023, in line with the government's Vision 2030 plan. The first round of investments includes a 300 MW solar photovoltaic (PV) plant in the northern province of Al-Jouf and a 400 MW wind plant in Midyan in Northwestern Saudi Arabia. Investors must submit requests to qualify for the investment by 20 March 2017, and the Ministry of Energy expects to award the projects to the winning consortia by September 2017. Both projects will be supported by long-term power purchase agreements (PPAs), with a duration of 25 years for a solar PV project and 20 years for a wind project. The government estimates that the National Renewable Energy Programme will cost between US$30 million and US$50 million by 2023.

Utilities ME, 21/02/2017; Reuters News, 20/02/17

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NERA is at the forefront of the continuing transformation of energy industries worldwide. Our experts have developed approaches for introducing competition in segments such as power generation, where competition is workable, and for improving the regulation of sectors where it is not. We work with companies and governmental bodies worldwide to design competitive power markets and to develop tariffs and rules of access for regulated transmission and distribution systems for electricity and gas and transport of oil and oil products. With industry restructuring, we also help companies develop strategies for exploring new opportunities and minimising new risks, including issues related to climate change and other environmental initiatives.

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